

August 6, 2015

SUBMITTED ELECTRONICALLY AT REGCOMMENTS@NCUA.GOV

Gerard S. Poliquin, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Proposed Rulemaking for Part 723 Member Business Loans; Commercial Lending

Dear Mr. Poliquin:

I am writing on behalf of SchoolsFirst Federal Credit Union (SchoolsFirst FCU), which serves the education community in Southern California. We have more than 650,000 Members and approximately \$11.4 billion in assets. SchoolsFirst FCU appreciates the opportunity to comment on the Proposed Rulemaking for Part 723 Member Business Loans (MBLs); Commercial Lending.

SchoolsFirst FCU is in full support of the proposed rule in regards to the reclassification of loan participations as commercial loans and removing the requirement to count non-member business loans participations in the statutory cap percentage. We also further support the changes to eliminate the prescriptive risk management requirements for Loan-To-Value (LTV) ratios and personal guarantees.

SchoolsFirst FCU seeks clarification on the need for a commercial lending policy. The proposed rule is unclear on whether a commercial lending policy is required if a credit union is solely a participating lender in a loan participation program or has an established MBL program. Is it necessary for a credit union to develop a commercial lending policy if a loan participation policy and an MBL policy have already been developed and the credit union is not seeking to enter into commercial lending as defined by the proposed rule?

We also seek clarification in regards to the definition of LTV. The portion addressing the denominator calculation of the LTV currently states, "...divided by the lesser of the purchase price or market value for collateral held 12 months or less, and market value for collateral held longer than 12 months." The use of the word "and" causes the definition to read as if one needs to determine the denominator by utilizing both equations. We recommend writing the definition so that it is clear that for collateral held for 12 months or less, you use the lesser of the purchase price or market value, whereas for collateral held longer than 12 months, you would utilize only the market value.

In addition, we request clarification in regards to 1-4 primary residences with other living unit(s) on the subject property and detached from the primary residence. We recommend that 1-4 primary residences with other living unit(s) on the subject property and detached from the primary residence should be specifically excluded from any definition of MBLs. Excluding primary residences with detached living units from the definition of MBLs will both permit longer loan terms and remove the competitive advantages enjoyed by banks and independent lenders who treat these as primary residence loans.

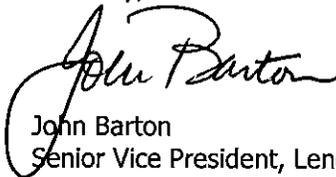
SchoolsFirst FCU also encourages revisions to Part 701.21 in conjunction with the proposed changes to Part 723, specifically to paragraph 701.21(c)(4) which limits the maturity of an MBL loan to 15 years.

Although there are provisions within Part 701.21 which allow maturity limits up to 40 years¹, MBLs of residential non-owner occupied properties are excluded from these provisions. The current classification of 1-4 primary residences with other living unit(s) on the subject property and detached from the primary residence as MBLs also subjects these primary residences to a maximum 15 year term. It would also reduce confusion with the federal Truth-in-Lending Act's right of rescission provisions.² Currently, Part 701.21's treatment of primary residences with detached living units as MBLs causes systemic issues due to the coding of such transactions as non-owner occupied. Loan origination systems are structured to generate loan disclosures and documents based on numerous data points, including occupancy type. A rescission notice would not be generated if the system reflects the loan as a "non-owner occupied" MBL, when in fact, the subject property is the Member's primary residence thus entitling them to the right to rescind. This necessitates a cumbersome manual work-around process in order to avoid a compliance error.

We encourage revisions to the proposed rule that would include the clarifications to the definition of the LTV denominator, residential non-owner occupied properties and primary residences with a detached living unit on the same property within the provisions of long-term mortgage loans. This would provide credit unions with the ability to further serve Members with essential and affordable products.

We thank you for the opportunity to provide comments and hope they will be carefully considered.

Sincerely,



John Barton
Senior Vice President, Lending
SchoolsFirst Federal Credit Union

cc: Credit Union National Association (CUNA)
California & Nevada Credit Union Leagues (CCUL)

¹ See § 701.21 (g)

² See § 1026.23(a)